



6450-01-P

DEPARTMENT OF ENERGY

Western Area Power Administration

Boulder Canyon Project

AGENCY: Western Area Power Administration, DOE.

ACTION: Notice of proposed fiscal year 2019 base charge and rates for electric service.

SUMMARY: Western Area Power Administration (WAPA) is proposing to calculate formula rates for fiscal year (FY) 2019 Boulder Canyon Project (BCP) electric service.

The expiration of the FY 2018 base charge and rates on September 30, 2018, requires this action. The proposed base charge will provide sufficient revenue to recover all annual costs and repay investment obligations within the allowable period. The proposed base charge and rates are scheduled to become effective on October 1, 2018, and will remain in effect through September 30, 2019. Publication of this *Federal Register* notice will initiate the public process.

DATES: The consultation and comment period begins today and will end **[INSERT DATE 90 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]**. WAPA will present a detailed explanation of the proposed FY 2019 base charge and rates at a public information forum that will be held on **[INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]**, from 10:00 a.m. to 12:00 p.m. Mountain Standard Time (MST) in Phoenix, Arizona. WAPA will also host a public comment forum that will be held on **[INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]**, from 10:00

a.m. to 12:00 p.m. MST in Phoenix, Arizona. Written comments will be accepted any time during the consultation and comment period.

ADDRESSES: The public information forum and public comment forum will be held at WAPA's Desert Southwest Customer Service Regional Office located at 615 South 43rd Avenue, Phoenix, Arizona 85009. Send written comments to Mr. Ronald E. Moulton, Regional Manager and Senior Vice President, Desert Southwest Customer Service Region, Western Area Power Administration, P.O. Box 6457, Phoenix, Arizona 85005-6457, or e-mail dswpwrmrk@wapa.gov. WAPA will post information about the rate process and written comments received on its website at:

<http://www.wapa.gov/regions/DSW/Rates/Pages/boulder-canyon-rates.aspx>. Written comments must be received by the end of the consultation and comment period to be considered by WAPA in its decision process.

As access to federal facilities is controlled, any U.S. citizen wishing to attend a public forum at WAPA must present an official form of picture identification (ID), such as a U.S. driver's license, U.S. passport, U.S. government ID, or U.S. military ID at the time of the meeting. Foreign nationals should contact Ms. Tina Ramsey, Rates Manager, Desert Southwest Customer Service Region, Western Area Power Administration, at (602) 605-2565 or e-mail at ramsey@wapa.gov in advance of a forum to obtain the necessary form for admittance to the Desert Southwest Customer Service Regional Office.

FOR FURTHER INFORMATION CONTACT: Ms. Tina Ramsey, Rates Manager, Desert Southwest Customer Service Region, Western Area Power Administration, P.O.

Box 6457, Phoenix, Arizona 85005-6457, (602) 605-2565, or e-mail ramsey@wapa.gov.

SUPPLEMENTARY INFORMATION:

Hoover Dam, authorized by the Boulder Canyon Project Act (45 Stat. 1057, December 21, 1928), sits on the Colorado River along the Arizona-Nevada border. Hoover Dam's power plant has 19 generating units (two for plant use) and an installed capacity of 2,078.8 megawatts (4,800 kilowatts for plant use). High-voltage transmission lines and substations deliver this power to southern Nevada, Arizona, and southern California, where it is marketed and sold by WAPA in collaboration with the Bureau of Reclamation (Reclamation).

The rate-setting methodology for BCP calculates an annual base charge rather than a unit rate for power. Though WAPA determines a unit rate for comparative purposes, BCP contractors are billed the base charge in proportion to their allocation of BCP power.

Rate Schedule BCP-F10 was confirmed and approved by the Federal Energy Regulatory Commission (FERC) for a five-year period ending September 30, 2022.¹ Rate Schedule BCP-F10 requires the base charge and rate formulas be calculated annually based on current financial and hydrology data. The base charge is designed to recover an annual revenue requirement that includes investment repayment, interest, operations, maintenance and replacements, payments to states, and Hoover Dam visitor services. The total costs are offset by projected revenue from water sales, the Hoover Dam visitor services, ancillary services, and late fees. The annual revenue requirement is the base charge for electric service divided equally between capacity and energy. The

¹ EF18-1-000 (June 6, 2018).

annual composite rate is the base charge divided by annual energy sales.

Comparison of Base Charge and Rates

	Existing FY 2018	Proposed FY 2019	Amount Change	Percent Change
Base Charge (\$)	\$76,910,193	\$69,741,657	- \$7,168,536	- 9.3
Composite Rate (mills/kWh)	19.98	18.92	- 1.06	- 5.3
Energy Rate (mills/kWh)	9.99	9.46	- 0.53	- 5.3
Capacity Rate (\$/kW-Mo)	\$1.99	\$1.88	- \$0.11	- 5.4

The *Federal Register* notice initiating the FY 2018 public process proposed a one-time \$15 million working capital collection for Reclamation for the new 50-year marketing period beginning October 1, 2017, which caused an increase to the base charge for FY 2018.² At the time, WAPA anticipated a corresponding \$15 million reduction to the base charge for FY 2019. During the FY 2018 public process, Reclamation and WAPA worked collaboratively with BCP customers to address customer concerns about the increase in the base charge resulting from the working capital collection. Reclamation and WAPA moderated the impact of the base charge increase by lowering some costs in FY 2018 and deferring other costs to FY 2019. The final result was a \$7.2 million increase to the base charge rather than the \$15 million increase originally proposed.

The proposed FY 2019 base charge is decreasing \$7.2 million from the FY 2018 base charge. This change is attributed to deferred costs, adjusted non-power revenue projections, and working capital. Reclamation's costs for operations, maintenance and

² 82 FR 27814 (September 18, 2017).

replacements, and visitor services are increasing \$2.7 million primarily as a result of deferrals from FY 2018, while WAPA's costs remain relatively flat. Non-power revenue projections are decreasing \$5.1 million due to decreased tourism projections while the Hoover Dam Visitor Center and elevators are being renovated. The \$15 million working capital for the new marketing period was collected in FY 2018 and no further collections are necessary in FY 2019.

Reclamation and WAPA will continue to review projections to further reduce the proposed FY 2019 base charge, thereby benefitting all BCP customers. A lower base charge will also help offset the impact of financial obligations from the previous marketing period, referred to as transitional items, assessed to new customers independent of the base charge calculation. Any resulting changes to the proposed FY 2019 base charge will be presented at the public information forum.

The proposed FY 2019 composite and energy rates decreased 5.3 percent and the capacity rate decreased 5.4 percent compared to the FY 2018 rates. The percentage decrease between the proposed base charge and rates differs due to energy and capacity projections.

This proposal, to be effective October 1, 2018, is preliminary and subject to change based on modifications to forecasts before publication of the final base charge and rates.

Legal Authority

The proposed formulas for electric service and the base charge and rates constitute a major rate adjustment, as defined by 10 CFR 903.2(e); therefore WAPA will hold public information and public comment forums for this rate adjustment, pursuant to 10 CFR

903.15 and 903.16. WAPA will review and consider all timely public comments and amend or adjust the proposal as appropriate. Proposed rates will be forwarded to the Deputy Secretary of Energy for approval.

WAPA is proposing this action in accordance with section 302 of the Department of Energy (DOE) Organization Act (42 U.S.C. 7152). This Act transferred to, and vested in, the Secretary of Energy the power marketing functions of the Secretary of the Department of the Interior and Reclamation under the Reclamation Act of 1902 (ch. 1093, 32 Stat. 388), as amended and supplemented by subsequent laws, particularly section 9(c) of the Reclamation Project Act of 1939 (43 U.S.C. 485h(c)); and other acts that specifically apply to the BCP.

By Delegation Order No. 00-037.00B effective November 19, 2016, the Secretary of Energy delegated: (1) the authority to develop power and transmission rates to WAPA's Administrator; (2) the authority to confirm, approve, and place such rates into effect on an interim basis to the Deputy Secretary of Energy; and (3) the authority to confirm, approve, and place into effect on a final basis, to remand, or to disapprove such rates to FERC. Existing DOE procedures for public participation in rate adjustments (10 CFR 903) were published on September 18, 1985 (50 FR 37835).

Availability of Information

All studies, comments, letters, memorandums, and other documents WAPA prepares or uses to develop the proposed base charge and rates will be available for inspection and copying at the Desert Southwest Customer Service Regional Office, Western Area Power Administration, located at 615 South 43rd Avenue, Phoenix, Arizona 85009. Many of

these documents and supporting information are available on WAPA's website at:

<http://www.wapa.gov/regions/DSW/Rates/Pages/boulder-canyon-rates.aspx>.

RATEMAKING PROCEDURE REQUIREMENTS

Environmental Compliance

In compliance with the National Environmental Policy Act (NEPA) of 1969, 42 U.S.C. 4321-4347; the Council on Environmental Quality Regulations for implementing NEPA (40 CFR parts 1500-1508); and DOE NEPA Implementing Procedures and Guidelines (10 CFR part 1021), WAPA is in the process of determining whether an environmental assessment or an environmental impact statement should be prepared or if this action can be categorically excluded from those requirements.

Determination Under Executive Order 12866

WAPA has an exemption from centralized regulatory review under Executive Order 12866; accordingly, no clearance of this notice by the Office of Management and Budget is required.

Dated: July 20, 2018.

Mark A. Gabriel,

Administrator.

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